

# United States Senate

WASHINGTON, DC 20510

February 25, 2020

Larry D. Fink  
Chairman and Chief Executive Officer  
BlackRock  
55 East 52<sup>nd</sup> Street  
New York, NY 10055

Dear Mr. Fink:

You recently announced that that BlackRock will “make investment decisions with environmental sustainability as a core goal.”<sup>1</sup> Given the potential of damage to the climate to “destroy billions of dollars in property and to displace millions of people,” which will produce “economic losses and social disruption... likely to be greater in total than those experienced in the housing crisis and Great Recession,”<sup>2</sup> We are deeply concerned about the economic and societal impacts of the climate crisis. We write for more information about the tangible actions you intend to take to implement your commitment, including how you will voluntarily implement steps similar to those laid out in the *Climate Risk Disclosure Act* that we reintroduced last year.<sup>3</sup>

A 2018 report from the Intergovernmental Panel on Climate Change found that human activities have already caused about one degree Celsius of global warming above pre-industrial levels and that global warming is likely to reach 1.5 degrees Celsius above pre-industrial levels in the coming decades, if climate change continues at the current rate.<sup>4</sup> A separate study suggested that “if temperatures rise to [four] degrees Celsius above preindustrial levels over the next 80 years, global economic losses could mount to \$23 trillion per year—permanent damage

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<sup>1</sup> New York Times, “BlackRock C.E.O. Larry Fink: Climate Crisis Will Reshape Finance,” Andrew Ross Sorkin, January 14, 2020, <https://www.nytimes.com/2020/01/14/business/dealbook/larry-fink-blackrock-climate-change.html>.

<sup>2</sup> Freddie Mac, “Life’s a Beach,” April 26, 2016, [http://www.freddiemac.com/research/insight/20160426\\_lifes\\_a\\_beach.page](http://www.freddiemac.com/research/insight/20160426_lifes_a_beach.page).

<sup>3</sup> Office of Senator Warren, “Senator Warren, Representative Casten Lead Colleagues Introducing a Bill to Require Every Public Company to Disclose Climate-Related Risks,” July 10, 2019, <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-representative-casten-lead-colleagues-introducing-a-bill-to-require-every-public-company-to-disclose-climate-related-risks>.

<sup>4</sup> Intergovernmental Panel for Climate Change, “Summary for Policymakers: Global warming of 1.5°C: An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty,”

[https://www.ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15\\_SPM\\_version\\_report\\_LR.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15_SPM_version_report_LR.pdf).

that would far eclipse the scale of the 2007-2008 financial crisis.”<sup>5</sup> In 2018, the Fourth National Climate Assessment, issued by 13 federal agencies, found that unless there is significant action to address the climate crisis, as much as ten percent of the American economy, or more than double the losses of the Great Recession, will be wiped out by the end of the century.<sup>6</sup>

In recent letters to your clients and CEOs of companies in which you invest, you acknowledged the threats and opportunities that come from climate change and described how it will affect your investment decisions. In your annual letter to clients, you noted BlackRock is “making sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies,”<sup>7</sup> including considering question like “will cities... be able to afford their infrastructure needs as climate risk reshapes the market for municipal bonds” and the future of the “30-year mortgage . . . if lenders can’t estimate the impact of climate risk over such a long timeline, and if there is no viable market for flood or fire insurance in impacted areas.”<sup>8</sup> As you rightly point out “[i]n the near future – and sooner than most anticipate – there will be a significant reallocation of capital.”<sup>9</sup> In the letter to corporate executives, you wrote that your “investment conviction is that sustainability- and climate-integrated portfolios can provide better risk-adjusted returns to investors” and that you “believe that sustainable investing is the strongest foundation for client portfolios going forward.”<sup>10</sup>

Currently, however, investors lack access to basic information about the potential risk of the climate crisis on American companies. As Former Vice President Al Gore has said “most market participants are mistakenly treating carbon risk as an uncertainty, and are thus failing to incorporate it in investment analyses. By overlooking a known material-risk factor, investors are exposing their portfolios to an externality that should be integrated into the capital allocation process.”<sup>11</sup> Disclosures are most useful when they are standard so that investors of all kinds can make educated comparisons – and investors are asking for them. As Securities and Exchange Commissioner (SEC) Allison Herren Lee recently wrote, “[i]nvestors are overwhelmingly telling [the SEC], through comment letters and petitions for rulemaking, that they need consistent, reliable, and comparable disclosures of the risks and opportunities related to sustainability

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<sup>5</sup> Center for American Progress, “Climate Change Threatens the Stability of the Financial System,” Gregg Gelzinis and Graham Steele, November 21, 2019, <https://www.americanprogress.org/issues/economy/reports/2019/11/21/477190/climate-change-threatens-stability-financial-system/>.

<sup>6</sup> New York Times, “U.S. Climate Report Warns of Damaged Environment and Shrinking Economy,” Coral Davenport and Kendra Pierre-Louis, November 23, 2018, <https://www.nytimes.com/2018/11/23/climate/us-climate-report.html>.

<sup>7</sup> BlackRock, “Sustainability as BlackRock’s New Standard for Investing,” Larry Fink, January 14, 2020, <https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter>.

<sup>8</sup> Blackrock, “A Fundamental Reshaping of Finance,” Larry Fink, <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

<sup>9</sup> *Id.*

<sup>10</sup> BlackRock, “A Fundamental Reshaping of Finance,” Larry Fink, January 14, 2020, <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

<sup>11</sup> Wall Street Journal, “The Coming Carbon Asset Bubble,” Op-ed, Al Gore and David Blood, October 29, 2013, <https://www.wsj.com/articles/the-coming-carbon-asset-bubblethe-coming-carbon-asset-bubble-1383076555>.

measures, particularly climate risk. Investors have been clear that this information is material to their decision-making process, and a growing body of research confirms that.”<sup>12</sup>

We have proposed a standard climate disclosure regime. The *Climate Risk Disclosure Act*, which we introduced in the Senate and whose companion bill led by Representative Sean Casten passed by the House Financial Services Committee last year,<sup>13</sup> would require rigorous disclosures of critical information about their climate-related risks by all public companies.<sup>14</sup> These disclosures would include:

- The company’s direct and indirect greenhouse gas emissions;
- The total amount of assets related to fossil fuel that the company owns or manages;
- How the company’s valuation would be affected if climate change continues at its current pace or if policymakers successfully restrict greenhouse gas emissions to meet the 1.5 degrees Celsius above pre-industrial levels goal; and
- The company’s risk management strategies related to the physical and transition risks posed by the climate crisis.<sup>15</sup>

Your letters to CEOs and investors suggest that you understand the extent of the effects that climate change will have on the economy, and that BlackRock, as a fiduciary to your clients needs to understand climate risks across the investments it makes. In your letter to clients, you commit to “provide transparent, publicly available data on sustainability characteristics – including data on controversial holdings and carbon footprint – for BlackRock mutual funds.”<sup>16</sup> If BlackRock plans to live up to the commitments you made, we hope that you will go further by endorsing the reforms laid out in the *Climate Risk Disclosure Act*, and require companies in which you invest to issue public disclosures consistent with its requirements. We have attached a copy of the bill for your information.

In addition, in order for me to better understand how you intend to implement the commitment you laid out, we ask that you respond in writing about whether you support the

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<sup>12</sup> Securities and Exchange Commission, “Modernizing” Regulation S-K: Ignoring the Elephant in the Room,” Commissioner Allison Herren Lee, January 20, 2020, <https://www.sec.gov/news/public-statement/lee-mda-2020-01-30>.

<sup>13</sup> Office of Representative Casten, “Casten, Warren ‘Climate Risk Disclosure’ Act Passes House Financial Services Committee,” July 17, 2019, <https://casten.house.gov/media/press-releases/casten-warren-climate-risk-disclosure-act-passes-house-financial-services>.

<sup>14</sup> Climate Risk Disclosure Act of 2019, S. 2075, <https://www.congress.gov/bill/116th-congress/senate-bill/2075>.

<sup>15</sup> Office of Senator Warren, “Senator Warren, Representative Casten Lead Colleagues Introducing a Bill to Require Every Public Company to Disclose Climate-Related Risks,” July 10, 2019, <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-representative-casten-lead-colleagues-introducing-a-bill-to-require-every-public-company-to-disclose-climate-related-risks>.

<sup>16</sup> BlackRock, “Sustainability as BlackRock’s New Standard for Investing,” Larry Fink, January 14, 2020, <https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter>.

*Climate Risk Disclosure Act* and answer the following questions no later than Tuesday, March 17, 2020.

1. Your letter to investors states that you “intend to make sustainable funds the standard building blocks in these solutions wherever possible, consistent with client preferences and any applicable regulations.”<sup>17</sup> Please describe concrete steps that your firm will take to meet these commitments and any changes in asset management plans, policies, or procedures that you will implement to meet this commitment.
2. Your letter to investors states that you will “continue to build additional tools, including one to analyze physical climate risks and one that produces material investment signals by analyzing the sustainability-related characteristics of companies.”<sup>18</sup> Please describe concrete steps that your firm will take to meet these commitments and any changes in asset management plans, policies, or procedures that you will implement to meet this commitment.
  - a. Will these tools and the underlying research and analysis be made public for other market actors to incorporate in their risk assessments of the climate crisis?
3. Your letter to investors states that you “intend to double our offerings of ESG [Exchange-traded funds (ETFs)] over the next few years (to 150), including sustainable versions of flagship index products, so that clients have more choice for how to invest their money” and that you will work “to promote greater standardization and transparency of sustainability benchmark methodology.”<sup>19</sup> Please describe concrete steps that your firm will take to meet these commitments and any changes in asset management plans, policies, or procedures that you will implement to meet this commitment.
  - a. Please describe your firm’s definition of “ESG ETFs” as it relates to your commitment and the requirements for investments to be considered part of an “ESG ETF.”
4. Your letter to investors states that you “are asking companies to publish [Sustainability Accounting Standards Board]- and [Task Force on Climate-related Financial Disclosures (TCFD)]-aligned disclosures, and as expressed by the TCFD guidelines, this should include the company’s plan for operating under a scenario where the Paris Agreement’s goal of limiting global warming to less than two degrees is fully realized.”<sup>20</sup> Please describe concrete steps that your firm will take to meet

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<sup>17</sup> BlackRock, “Sustainability as BlackRock’s New Standard for Investing,” Larry Fink, January 14, 2020, <https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter>.

<sup>18</sup> *Id.*

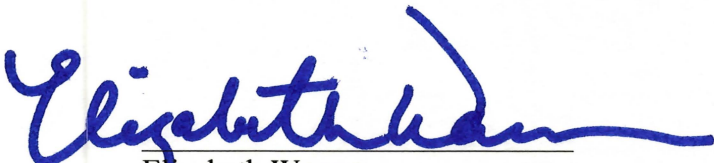
<sup>19</sup> *Id.*

<sup>20</sup> BlackRock, “Sustainability as BlackRock’s New Standard for Investing,” Larry Fink, January 14, 2020, <https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter>.

these commitments and any changes in asset management plans, policies, or procedures that you will implement to meet this commitment.

- a. Our *Climate Risk Disclosure Act* requires firms to describe how companies' valuation would be affected if climate change continues at its current pace or if policymakers successfully restrict greenhouse gas emissions to meet the 1.5 degrees Celsius above pre-industrial levels goal.<sup>21</sup> Please explain your decision to use a two degrees Celsius above pre-industrial standards framework.
5. Reports show that, despite your recent commitments, your firm "continues to hold sizable investments in coal, oil and gas."<sup>22</sup> How will you adapt your current investments to meet your current commitments?
- a. How will you encourage other asset management firms to follow your lead in adapting your current investments to meet your sustainability commitments?

Sincerely,



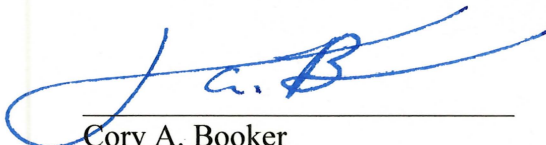
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Elizabeth Warren  
United States Senator



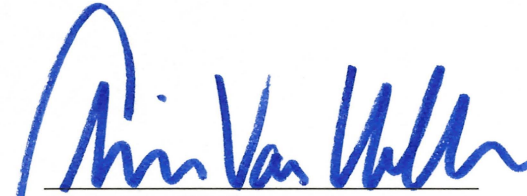
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Sheldon Whitehouse  
United States Senator



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Cory A. Booker  
United States Senator



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Chris Van Hollen  
United States Senator

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<sup>21</sup> Office of Senator Warren, "Senator Warren, Representative Casten Lead Colleagues Introducing a Bill to Require Every Public Company to Disclose Climate-Related Risks," July 10, 2019, <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-representative-casten-lead-colleagues-introducing-a-bill-to-require-every-public-company-to-disclose-climate-related-risks>.

<sup>22</sup> BBC News, "Climate change to drive 'massive' investment shift," January 14, 2020, <https://www.bbc.com/news/business-51111727>.